

## Message Text

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43

ACTION AID-31

INFO OCT-01 ISO-00 H-02 EB-07 /041 W

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R 252145Z APR 75

FM AMEMBASSY PORT AU PRINCE

TO SECSTATE WASHDC 9676

C O N F I D E N T I A L PORT AU PRINCE 0970

FOR HERMAN KLEINE, AID/AA/LA FROM AMBASSADOR

E.O. 11652: GDS

TAGS: EAID, EFIN, HA

SUBJECT: PREPARATION FOR FY 76 CONGRESSIONAL HEARINGS: PROBLEM  
OF GOH'S NON-FISCALIZED REVENUES

REFS: (A) STATE 079249, 8 APR 75

(B) PORT AU PRINCE 0951, 24 APR 75, PARA 3

1. THE SENATE APPROPRIATIONS COMMITTEE'S RECOMMENDATION THAT AID PREVAIL UPON THE GOH TO "RATIONALIZE ITS BUDGETARY PROCESS" MUST BE ASSUMED TO BE DIRECTED PRIMARILY AT THE GOH'S REGIE DU TABAC AND TO ITS PLETHORA OF NON-FISCALIZED COMMODITY TAXES AND EXPENDITURES WHICH PROBABLY AMOUNT TO AT LEAST 20 PERCENT OF THE GOH'S BUDGET FOR OPERATIONS AND DEVELOPMENT.

2. IN FOLLOWING UP SENATOR BROOKE'S RECOMMENDATIONS, AND IN CONVEYING TO THE GOH THE CONCERNS OF THE U.S. CONGRESS ABOUT HAITI EXPRESSED IN THE LAST TWO FOREIGN ASSISTANCE APPROPRIATIONS BILLS, I HAVE PERSONALLY EXPLAINED TO PRESIDENT DUVALIER AND TO HIS KEY MINISTERS THE PROBLEMS RESULTING FROM THE REGIE DU TABAC. I HAVE POINTED OUT WITH FULL CANDOR THAT THE SECRECY WITH RESPECT TO THE USE OF THIS SUBSTANTIAL UNFISCALIZED SOURCE OF REVENUE INEVITABLY RAISES SERIOUS DOUBTS ON THE PART OF ANY SUBSTANTIAL FOREIGN SOURCE OF ASSISTANCE FOR HAITI AS TO THE DEGREE OF THE HAITIAN GOVERNMENT'S COMMITMENT TO ECONOMIC DEVELOPMENT AND TO THE WELFARE OF THE HAITIAN PEOPLE. MY APPROACH HAS REINGORCED THOSE OF THE LOCAL IMF REPRESENTATIVE AND OF IBRD AND IMF VISITING MISSIONS, ALL OF WHOM HAVE STRESSED THE IMPORTANT ROLE WHICH REGIE FUNDS COULD PLAY IN INCREASING THE DOMESTIC RESOURCES AVAILABLE FOR THE HAITIAN

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DEVELOPMENT PROGRAM. MY IMPRESSION IS THAT THESE REPRESENTATIONS

HAVE BEEN TAKEN SERIOUSLY, ALTHOUGH THUS FAR NO RESULTS HAVE BEEN FORTHCOMING.

3. THE PRESIDENT, IT SHOULD BE REMEMBERED, HAS BEEN BROUGHT UP LOOKING ON THE REGIE AS AN INDISPENSABLE INSTRUMENT IN THE POLITICAL SURVIVAL OF HIS FATHER. IN A HIGHLY CENTRALIZED, PERSONALIST, AND AUTHORITARIAN FORM OF GOVERNMENT, THE REGIE HAS PROVIDED A MEANS OF REWARDING POLITICAL LOYALISTS WITHOUT WHOSE SUPPORT THE EMBATTLED REGIME WOULD HAVE COLLAPSED IN THE EARLY YEARS OF DR. DUVALIER'S RULE. NOW THAT THOSE DAYS ARE OVER, THE REGIE IN THE PRESIDENT'S EYES STILL PROVIDES FLEXIBILITY FOR CARRYING OUT A WIDE RANGE OF PROJECTS, SOME CHARITABLE, SOME DEVELOPMENTAL, SOME PERSONAL, FOR WHICH THERE IS NO BUDGETARY PROVISION, THE REGIE HAS BECOME A HABIT, AND HABITS ARE NOT EASILY ABANDONED IN HAITI.

4. I SHALL CONTINUE TO WORK QUIETLY TOWARD OUR OBJECTIVE OF BRINGING REGIE FUNDS INTO THE OPEN AND ASSURING THEY WILL BE USED FOR PUBLICLY IDENTIFIABLE DEVELOPMENT PURPOSES. REALISTICALLY, WE CAN EXPECT ONLY TO ACHIEVE PROGRESS IN THE RIGHT DIRECTION, LITTLE BY LITTLE AND OVER A PERIOD OF TIME. THE INTERNATIONAL DONOR AGENCIES REMAIN IN THE BEST POSITION TO EXERT LEVERAGE, SINCE THEY ARE CONSIDERED BY THE HAITIANS AS BEING SOMEHOW MORE OBJECTIVE AND DISINTERESTED, AND SINCE THEY NOW PROVIDE SUBSTANTIALLY MORE FUNDS FOR HAITIAN DEVELOPMENT THAN DOES THE US. HOWEVER, NO MATTER WHETHER THE EFFORTS MADE ARE PRIMARILY BILATERAL OR INTERNATIONAL, IT IS IMPORTANT TO KEEP IN MIND THAT FOR THE GOH THE REGIE TOUCHES UPON THE MOST BASIC CONSIDERATIONS OF SOVEREIGNTY AND SURVIVAL. OUTSIDE PRESSURES, UNLESS VERY SKILLFULLY APPLIED, ARE LIKELY TO GENERATE DEFIANCE RATHER THAN COMPLIANCE.

5. I KNOW I CAN COUNT ON YOU TO CONVEY THE GENERAL SENSE OF THE FOREGOING TO INTERESTED MEMBERS OF CONGRESS IN A MANNER WHICH WILL LEAVE ME AS FREE AS POSSIBLE TO PURSUE THIS DELICATE TASK WITHOUT RUNNING UP AGAINST A WALL OF RESENTMENT WHICH THE WRONG KIND OF PUBLICITY MIGHT ENGENDER.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, FUND ALLOTMENT, US CONGRESSIONAL HEARINGS, DEVELOPMENT PROGRAMS, FOREIGN ASSISTANCE PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 25 APR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975PORTA00970  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750148-0659  
**From:** PORT AU PRINCE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750416/aaaaapan.tel  
**Line Count:** 97  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION AID  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 STATE 079249, 75 8, 75 APR 75  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 SEP 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09 SEP 2003 by ellisoob>; APPROVED <10 SEP 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PREPARATION FOR FY 76 CONGRESSIONAL HEARINGS: PROBLEM OF GOH'S NON-FISCALIZED REVENUES  
**TAGS:** E Aid, EFIN, HA, US  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006